

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 EUR-12 IO-10 ISO-00 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 FRB-01 H-01 INR-05

INT-05 L-02 LAB-04 NSAE-00 NSC-05 PA-01 RSC-01 AID-05

CIEP-01 SS-15 STR-01 TAR-01 TRSE-00 USIA-06 PRS-01

SP-02 OMB-01 SWF-01 AF-04 EA-06 NEA-06 /118 W

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R 171717Z DEC 74

FM USMISSION GENEVA

TO SECSTATE WASHDC 9712

INFO USMISSION EC BRUSSELS

AMEMBASSY BRASILIA

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E.O. 11652: N/A

TAGS: GATT, ETRD, BR

SUBJECT: EC CONCERN OVER BRAZILIAN IMPORT RESTRICTIONS

1. EC COMMISSION (DUGIMONT) CALLED MISSION TO NOTE THAT BROAD DECEMBER 6 BRAZILIAN IMPORT TARIFF INCREASES AFFECT APPLES, WHICH EC UNDERSTANDS BOUND TO US AND NEW ZEALAND. EC IS CONCERNED THAT BRAZILIAN ACTION MAY AFFECT OTHER BOUND RATES AS WELL AND HAS ASKED WHETHER US HAS ANY INFORMATION ON THIS.

2. DUGIMONT ALSO SAID EC FEELS BRAZIL SHOULD BE SUBJECT OF GATT BOP COMMITTEE REVIEW AND ASKED IF US SHARED THIS VIEW.

3. GATT SECRETARIAT (LUNDGREN) REPORTS BRAZIL HAS NOTIFIED NO NEW RESTRICTIONS. SECRETARIAT POINTS OUT THAT UNLESS BOUND RATES ARE INDEED IMPAIRED OR ARTICLE XII OR XVIII BALANCE-OF-PAYMENTS RESTRICTION

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STATUS IS SOUGHT, BRAZIL HAS NO SPECIFIC OBLIGATION

TO NOTIFY GATT.

4. THIS CASE UNDERLINES ONE OF THE SHORTCOMINGS OF GATT: A LARGE TRADING COUNTRY CAN FOR BALANCE-OF-PAYMENTS REASONS IMPOSE BALANCE-OF-PAYMENTS RESTRICTIONS WITHOUT HAVING TO ANSWER TO THE BALANCE-OF-PAYMENTS PROVISIONS OF THE GATT--SO LONG AS THAT COUNTRY AVOIDS QRS OR IMPAIRMENT OF BOUND RATES. BRAZIL LAST CONSULTED UNDER ARTICLE XVIII IN 1971 (BOP/R/57, JULY 12, 1971) AND HAS NOT SOUGHT COVERAGE OF THAT ARTICLE SINCE.

5. MISSION BELIEVES THERE IS GOOD REASON TO RAISE NEW BRAZILIAN RESTRICTIONS IN NEXT GATT COUNCIL; WE COULD USE QUESTION OF WHETHER ANY GATT-BOUND RATES ARE AFFECTED AS A MEANS OF DOING SO. IN A TIME WHEN WE WISH DISCOURAGE PROLIFERATION OF RESTRICTIONS, DO NOT BELIEVE IT ADVISABLE LET BRAZIL ESCAPE SOME KIND OF ATTENTION FOR TECHNICAL REASONS. ALSO, FAILURE TO PLACE SOME SORT OF SPOTLIGHT ON BRAZIL WOULD ENCOURAGE OTHERS NOT TO NOTIFY RESTRICTIONS. URUGUAY, FOR EXAMPLE, IS STILL SUBMITTING TO FULL BOP EXAMINATIONS IN GATT.

6. WHILE WE SHOULD CALL ATTENTION TO BRAZILIAN MEASURE IN COUNCIL, DO NOT SEE HOW WE COULD INSIST ON BOP REVIEW UNLESS IT DETERMINED THAT SOME BOUND RATES HAVE BEEN IMPAIRED. ACTION REQUESTED: WOULD APPRECIATE (A) INDICATION OF WHETHER EC IS CORRECT THAT BOUND RATES AFFECTED AND (B) GUIDANCE ON HOW OR WHETHER TO PURSUE GATT EXAMINATION OF BRAZILIAN MEASURES AFTER IT HAS BEEN DETERMINED WHETHER BOUND RATES ARE IMPAIRED.DALE

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